

Miami-Dade County Business Planning and Performance Measurement: Setting Targets

Overview

- Setting Targets
- Collecting Best Practice Information
- Using Stretch Goals

Setting Targets

“A performance target can give people a real opportunity to earn personal satisfaction that comes from doing something truly worthwhile. It provides focus and meaning for their work.

An easily achievable or inconsequential target will do little. The target must be significant. It must require real effort. If people determine that it will be easy to hit the target, or if they recognize that it is unconnected to any larger purpose, they will feel little need to devote much energy, effort, or intelligence to the undertaking.”

- Bob Behn's Public Management Report

Setting Targets: Introduction

- Set and communicate the expected performance level for your department
- Give managers and employees direction
- Focus on improvement and achieving Miami-Dade County's Strategic Plan Goals and Outcomes

Beware of measurement for measurement's sake. Measures not accompanied by targets have only half their power to challenge, motivate, and direct the workforce.

Setting Targets: Criteria

When setting targets:

- Ensure that targets are quantifiable
- Ensure that targets clearly communicate expected performance
- Demonstrate the relationship between the target and the desired outcome
- Focus on targets for outcome and efficiency measures

Setting Targets: Business Plans

When setting business plan targets:

- Ensure that the target reflects your strategic plan objectives
- Align the target with your department's resource allocation
- Validate the target on a continual basis

Good target setting requires two important pieces of information:

- The department's current performance or baseline on measures
- Best practice information

Effective target setting requires knowing where you are and where you want to go.

Setting Targets: Best Practice Information

To set business plan targets, departments should review and consider best practice information:

- Identify the department's key business processes
- Determine the best practice information associated with these key business processes
- Decide which organizations you will review (including your own department's historical data)
- Create a plan for your department to collect this information
- Use this information to set a challenging, yet realistic performance target

Best Practice Information: Who To Look At

- Peer jurisdictions – Other large counties, particularly those that share the same environmental and/or demographic characteristics (e.g., Broward County, Los Angeles, County, etc.)
- Other Florida jurisdictions
- “Best in class” performers
- Private sector organizations
- Your department’s performance data

Best Practice Information: Where To Find It

- Publications from other jurisdictions (e.g., Budget Documents, Performance Reports)
- Professional Organizations (e.g., ICMA Center for Performance Measurement, Florida Benchmarking Consortium)
- Government data and statistics (e.g., Census Bureau, Bureau of Labor Statistics, GAO, etc.)
- Professional and/or academic journals
- Private consulting/research firms
- Colleagues

Setting Targets with Best Practice Information

- When comparing best practice information with department's performance data, it is often difficult to get “**apples to apples**” comparison

Consider Costs

What's comparable?

Direct costs

Indirect costs

Costs v. charges

Avoidable costs

Consider Workload –
what does it mean?

Time – when does the clock start?

Setting Targets with Best Practice Information

- If an “apples to apples” comparison is not possible, *adjust* the information for target-setting purposes
- Measurement techniques account for differences and allow adjustment:
 - Ratios
 - Percentages
 - Indexes
 - Accounting adjustments
- Disclose differences
- Be willing to make estimates and be flexible
- Use your own professional judgment to set targets

Setting Targets: Things to Remember

Performance targets should be realistic while also encouraging higher levels of accomplishment:

- Motivation arises from a moderate probability of success
 - Challenge employees
 - Goals that are too difficult stymie motivation
 - Goals that are too easy lead to complacency

Stretch Goals: Introduction

- Usually multi-year, long-term goals
- Keep the department focused on long-term, strategic outcomes
- Potentially identify where a department needs to change or abandon the status quo

Stretch goals do not replace business plan targets and the collection of best practice information, they *complement* those things

Stretch Goals: Criteria

- Be discriminating – set stretch goals for:
 - Critical business processes and/or processes that support your major strategic priorities
 - Objectives requiring significant change/achievement
 - Objectives moving the department forward
- Provide a rationale explaining why achieving the stretch goal matters
- Stretch goal requires special focused effort without being impossible
- Set clearly defined milestones for each goal

Stretch Goals: Evaluating Results

Each year review progress on stretch goals with these considerations in mind:

- Value: How critical is this area to achieving our top business priorities?
- Gap: How far do we have to go?
- Timeliness: Are we meeting our key milestones in a systematic fashion?
- Appetite: Is there energy and enthusiasm in our department to attack this area?
- Skills: Do we have the skills we need within the department? If not, can they be acquired?
- Best practice information: What are the possibilities in this area? Who else has done this and how did they do it?

Targets and Stretch Goals: Implementation

- Responsibility for integrating targets and stretch goals into departments' existing performance measurement rests with the departments' **leaders**
 - directors and division chiefs

“A crisis mobilizes people. So can performance targets. First, however, the organization's leaders have to make these targets real. They can't just send out the beginning-of-the-year memo listing a few targets and then move on to other things. They have to focus their own, personal energies on these targets. They have to establish a sense of urgency. They have to make these targets visible.”

- Bob Behn's Public Management Report

Questions or Comments?

If your department:

- Has questions about any portion of the presentation
- Wants more information about any portion of the presentation
- Requires assistance in setting business plan targets, collecting best practice information, and/or setting stretch goals

Contact the Office of Strategic Business Management –
Management, Planning, and Strategy Division
305-375-3884

<http://www.miamidade.gov/mps/>

TARGETS, STRETCH GOALS, BENCHMARKING, BEST PRACTICES: SUGGESTED READINGS

Benchmarking and Best Practice Sharing

Excerpts from Selected Readings:

“Can Benchmarking for Best Practices Work for Government?” Patricia Keehley and Sue A. MacBride (Quality Progress 30 75-80 March '97)

- “Officials in Dallas, TX have made a religion out of comparing notes and competing with other municipalities (Barrett and Greene, "Focus on the Best"). Dallas leaders are well aware that re-creating the wheel all the time is a waste of resources. Ryan Evans, Dallas director of budget and research, makes a dozen calls a week to other cities. If he finds another city of similar size with a parks and recreation department operating with \$10 million less than Dallas, he will investigate and aim to match or beat the benchmark.”
- “Research potential partners. It is unlikely that the organization will have the time or resources to locate every piece of information on possible partners, but most of the time it will succeed in gathering enough information for the sake of benchmarking.” (For Miami-Dade: look to ICMA Center for Performance Measurement and Florida Benchmarking Consortium)

“How to Benchmark with Easily Available Resources: Ensure That You’re Comparing Apples to Apples” Daniel Hobbs (Public Management September 2004 · Volume 86 · Number 8)

- “The first hurdle was to decide who our peer cities were. Because we also wanted to compare Fresno, the 37th-largest city in the United States, to some of the best-run cities, we naturally looked beyond the borders of California. And that was our first problem. It turns out that it is extremely difficult to compare cities from different states, or at least a California city with non-California cities, given the differing state constitutions and legal authority and financing mechanisms of those cities...We decided to limit our peer city review to other California cities, picking 10 cities ranging in population from 243,000 to 1,223,000, with a median population of 399,000, which is close to Fresno’s 2000 population of 427,652.”
- “...Our true “peers” were cities that were roughly our size (or that had been our size or that may grow to our size in the coming years). Peer selection is critical to the success of the benchmarking approach we recommend.”
- “Another key early decision was to rely exclusively on published data that could be verified independently by anyone. This choice was critical for two reasons: 1) with the low levels of trust then in Fresno, it was important that the sources of the data be beyond suspicion; and 2) we didn’t have the time and staff to do intensive

interviews with different cities, dig into their records, and then fact-check this research, even if these peer cities would have had the time to respond.”

- “The main data used to decide peer cities came from the 2000 census.”
- “The other published data we routinely used were budgets published by the respective peer cities, the audited and published Comprehensive Audited Financial Reports (CAFRs), and state financial reports of the activities of all jurisdictions in California, available from the state controller’s office. We were pleased that in most instances the findings using one data source were consistent with those using another report, at least in terms of relative rankings of different cities, even though the numbers themselves did not always reconcile.”
- “The other key decision made in the study design was to use per capita data to compare information gathered from these various data sources. When annual budget data were taken from cities with different populations, we simply divided by the population of each jurisdiction, allowing a true “apples to apples” comparison. We similarly compared full-time equivalents (FTEs) in different departments and in different cities and converted these to per capita comparison charts, too.”

“Public Sector Benchmarking: A Practical Approach” Kenneth A. Bruder and Edward M. Gray (Public Management 1994, 76 (9), S9-14)

- How do you select the right functions to benchmark? Use the following criteria:
 - The function makes up a high percentage of the cost;
 - The function is a key service differentiator;
 - The function appears to show room for improvement;
 - The function is capable of being improved (...hold up the functions you are considering to the constraints of politics, regulation, organization, and resources).
- “In selecting best-in-class organizations [for each benchmark item], there are four major categories to consider...direct comparables (identical to your organization), parallel comparables (menus of service overlap only partially with yours), latent comparables (do not provide the same services as your organization, but may do so at some point in the future), and out-of-category organizations.”
- “If you are trying to improve your operations by studying only close comparables, you are more or less playing catch-up. If you bring in new techniques from [out-of-category organizations], however, you may uncover opportunities to surpass even the most capable organizations.”
- “You should strive to create a long list of organizations (45 to 60) that you can reduce to five to eight best-in-class organizations to study. If you study fewer than four entities, you sacrifice variety of ideas, statistical significance, and the quantity of useful data.”

- “Do not choose localities or organizations to benchmark solely because their information is readily available...Not until you dig below the statistics and published information will you find insights into what is making a city, county, or local organization truly successful...It is essential that you check and recheck your information, never taking for granted the accuracy of any collected data.”
- “...Any benchmarking analysis that does not translate into successfully implemented programs and actions is not worthwhile...The analysis must be translated into specific, actionable recommendations...The analysis must be supported from above...and the right individuals must be involved.”
- “Following are three conditions conducive to that mindset that is crucial for success in benchmarking: the analysis must be flexible, there must be a willingness to estimate, and the premium must be on judgment and insight.”

Benchmarking for Best Practices in the Public Sector: Achieving Performance Breakthrough in Federal, State, and Local Agencies. Patricia Keehley, Steven Medlin, Sue MacBride and Laura Longmire.

- “Organizations with little or no benchmarking experience should first use the process internally to identify and implement their own best practices. A search within the agency for best practices ensures that the organization and process similarities are maximized, thus making the benchmarking itself easier.”

“Bob Behn’s Public Management Report” (<http://www.ksg.harvard.edu/thebehnreport/>)

- “Whether a practice is a narrow administrative system or an innovative leadership strategy – whether the practice is “best,” “better,” simply “good,” or purely experimental – the manager needs to be able to answer the “why?” question and the “how?” question.” (July 2006)
- “*Why?* Why are we implementing this practice? What vital (or merely helpful) purposes will we achieve by implementing this practice? What will the practice accomplish? Management practices are not abstract cure-alls – organizational patent medicines that will remedy all kinds of organizational afflictions from dysfunctional legislation to conflicting stakeholder pressures. Implementing any managerial practice – good, better, or best – makes sense only if the practice will, somehow, help resolve one or more of the problems that prevent our organization from achieving our mission.” (July 2006)
- “*How?* How will this specific practice help to resolve our particular problems? What is our cause-and-effect theory? How does this practice work in general – in the ideal case? And how must this practice be adapted to work in our particular circumstances to help our agency accomplish its public purposes?” (July 2006)

“Local Government Benchmarking: Lessons from Two Major Multigovernment Efforts”
Charles Coe (Public Administration Review March/April 1999, 59 (2), 110)

- “[When benchmarking with ICMA data,] researchers should first ensure that each jurisdiction was defining the service outcome similarly. They should then examine the costing system and make adjustments if necessary. If these steps seem to suggest that a city is indeed performing at an exceptionally high level in a particular functional area, analysts would be well advised to examine their own process in great detail. Analysts should compare their processes with that of the top performer to identify the reasons for superior results and consider ways of adapting desirable features for their own use.”
- “If cities intend to benchmark, they need to know what their inputs (costs) are. Ensuring the comparability of costs among local jurisdictions in different states will always be problematic. Problems include:
 - Cities use different fiscal years
 - Cities have different costs of living
 - Cities use different accounting practices

These difficulties suggest that benchmarking efforts may have fewer problems if they begin by comparing cities within a single state, or at most within a few contiguous states. Political and geographical coherence makes it more likely that the cities will share common political cultures, costs of living, and accounting practices.”

“A Proper Mentality for Benchmarking” David Ammons (Public Administration Review March/ April 1999, 59 (2), 105)

- “Many [departments] have decided, intentionally, not to think too much about the application of performance measures just yet. Their focus right now is development or refinement. That seems like a reasonable approach – that is, focus now on getting the measures right; worry about applications in the future. The problem is this: unless a government ties its performance measures *meaningfully* into its management systems – unless those measures are something more than decorations for the budget document – any enthusiasm for measurement will quickly lose its luster, and probably deserves to.”
- “It only makes sense to benchmark if you recognize that you are probably not the best in everything, probably not perfect in everything you do. The whole idea is that the benchmarking organization is looking for things to improve. Successful benchmarkers cannot become defensive.”
- “If one’s benchmarking partners were selected carefully, they are going to outperform the organization initiating the benchmarking project by design. That is why they were picked...If managers become defensive and reject these lessons, they are missing the point.”

- “The best benchmarks are eager to learn from others. Some local governments resist adopting something invented elsewhere, saying simply, “It won’t work here.” Benchmarks take pride in adapting it so it will work here. An important point is that most successful benchmarks *adapt* rather than *adopt*. Most good ideas will need to be adapted to fit a new setting.”
- “The idea behind benchmarking is not simply how an organization stacks up. Instead, the fundamental idea is captured by two questions: (1) What did we learn? and (2) How will we use what we have learned to make us better?”

Setting Targets and Stretch Goals

Excerpts from Selected Readings:

“Bob Behn’s Public Management Report” (<http://www.ksg.harvard.edu/thebehnreport/>)

- “A crisis mobilizes people. So can performance targets. First, however, the organization’s leaders have to make these targets real. They can’t just send out the beginning-of-the-year memo listing a few targets and then move on to other things. They have to focus their own, personal energies on these targets. They have to establish a sense of urgency. They have to make these targets visible.” (September 2003)
- “In allocating a performance target...the objective is not to create winners and losers, but to give every team a chance to be a winner...[the organization] needs to give every [department] the opportunity to earn a sense of accomplishment through significant improvement.” (October 2003)
- “To *motivate* improved performance, public executives need performance targets – production targets – combined with output measures that focus everyone’s attention on producing those outputs.” (June 2004)
- “A performance target can give people that real opportunity to earn personal satisfaction that comes from doing something truly worthwhile...It not only gives people the proverbial reason to get out of bed in the morning. It provides focus and meaning for their work.” (February 2005)
- “An easily achievable or inconsequential target will do little. The target must be significant. It must require real effort. If people determine that it will be easy to hit the target, or if they recognize that it is unconnected to any larger purpose, they will feel little need to devote much energy, effort, or intelligence to the undertaking.” (February 2005)

“A Handbook for Developing Key Business Unit Scorecards and Business Plans: Becoming a Strategy-Focused Organization” City of Charlotte, NC (March 2002)

- Targets are specific levels of performance identified for each measure:
 - Targets set/communicate the expected performance level for the organization
 - Give individuals a defined goal/contribution to the overall organizational strategy
 - Focus the organization on improvement
- When setting targets, there are several criteria to consider:
 - Set only one target per measure
 - Ensure they are quantifiable
 - Ensure they clearly communicate the expected performance
 - Show the relationship to the initiative and strategy
- Good target setting involves two important pieces of information: the organization's current performance or baseline on the measures and best practices information. Effective target setting requires knowing where you are and where you want to go.
- Stretch targets are usually multi-year or long-term goals. The purpose of stretch targets is to keep the organization focused on the long-term outcome. A stretch target may identify where an organization needs to change or abandon status quo.
- A stretch target is a challenging target; it may be a long-term goal with annual milestones. Every business unit should have at least one stretch target in its scorecard.
- Performance targets should be realistic, yet encourage higher levels of accomplishment. People are motivated when there is a moderate probability of success. This creates a healthy level of anxiety, and enables employees to feel challenged and feel a sense of accomplishment when they achieve the goal. Goals that are too difficult debilitate rather than motivate. Goals that are too easy often lead to complacency.
- Targets should require extra effort but not be debilitating.
- Two-year targets can be most aggressive--allowing more time for breakthroughs.
- Limit the number of stretch targets.
- Each year focus on breakthroughs in one or two key areas, depending on:
 - Value – How critical is this area to achieving the business strategy?
 - Gap – What is the size of the potential gap?
 - Timeliness – Is there a natural order in which issues need to be addressed?
 - Appetite – Is there energy and enthusiasm in the unit to attack this area?
 - Skills – Are the skills available in the organization or can they be acquired?

- Best practice information – What are the possibilities in this area?
- Build a clear business case to communicate the importance of achieving stretch targets.
- In looking at best practice information, consider going outside your industry.

Bullseye! Hitting Your Strategic Targets Through High-Impact Measurement William A. Schiemann and John H. Lingle

- “Organizations should be discriminating and select stretch targets for those objectives for which significant achievements are necessary or for those objectives that intend to propel the organization forward. In the case of the latter, organizations should also provide a defensible rationale for why a particular breakthrough or particular advance will be crucial.”
- “Change and stretch are most stimulated by comparison...[there are] few stimulants to change that are as powerful as seeing what the competition or potential competition is doing.”
- Measures and recommended targets should be reviewed by key stakeholders both within and outside the organization...[also by] line managers who have not been involved in the measurement development process.”
- “Beware of measurement for measurement’s sake. Measures not accompanied by targeted levels of performance have only half their power to challenge, motivate, and direct the workforce.